

# ATTESTATION ENGAGEMENT

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Lebanon County  
Pennsylvania  
38-000

Liquid Fuels, Act 44, and Act 89  
Tax Funds  
For the Period  
January 1, 2021 to December 31, 2021

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August 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Michael Carroll  
Secretary  
Department of Transportation  
Harrisburg, PA 17120

We examined the accompanying Form MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 and Act 89 Tax Funds With Adjustments of Lebanon County for the period January 1, 2021 to December 31, 2021 (Forms). The county's management is responsible for presenting the Forms in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to engagement.

As described in the Auditor Description of Select Transactions section of this report, the adjustments included on the Forms are made by the Department of the Auditor General.

### Independent Auditor's Report (Continued)

As discussed in the Findings And Recommendations and Summary Of Prior Examination Recommendations section of this report:

- The county expended a total of \$269,772.32 for bridge repairs without obtaining the approval of the Department of Transportation (see Finding No. 1).
- The county expended \$16,641.53 for project No. 15-38000-001. Final payment for this project was made during 2018, but a Final Completion Report Form MS-999 was not filed with the Department of Transportation as of the exit conference date of this examination of February 6, 2023 (see Finding No. 2).
- The county was required to distribute \$303,577.49 to the political subdivisions within the county for its unencumbered balance being greater than the receipts for the previous twelve months. The county had not distributed the \$303,577.49 to the political subdivisions within the county as of the exit conference date of this examination of February 6, 2023 (see Summary Of Prior Examination Recommendations).
- During our prior examination period the county over expended project No. 18-38000-002 by \$1,506.92. This amount was reimbursed to the county's Liquid Fuels Tax Fund on February 2, 2022, which was subsequent to our examination period (see Summary Of Prior Examination Recommendations).

In our opinion, except for the bulleted matters discussed above, the Forms present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund, the Act 44 Tax Fund, and the Act 89 Tax Fund of Lebanon County for the period January 1, 2021 to December 31, 2021, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms or on compliance and other matters; accordingly, we express no such opinions.

## Independent Auditor's Report (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

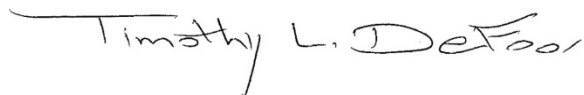
Our consideration of internal control over reporting on the Forms was for the limited purpose of expressing an opinion on whether the Forms are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the Forms are free from material misstatement, we performed tests of Lebanon County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Failure To Obtain Project Approval.
- Failure To Timely Submit Final Completion Report.

The purpose of this report is to determine whether the county's Liquid Fuels Tax Fund, Act 44 Tax Fund, and Act 89 Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by Lebanon County to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor  
Auditor General  
July 25, 2023

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LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background

*The Vehicle Code* makes provisions and provides funding for the County Liquid Fuels, Act 44, and Act 89 Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

*The Vehicle Code* imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. *The Vehicle Code* further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

*The Vehicle Code*, as amended by Act 44 of 2007 (July 18, 2007, P.L.169) and Act 89 of 2013 (November 25, 2013, P.L. 169), provides the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund (75 Pa. C.S. § 8915.6(b)(2) and as of July 1, 2014 § 9301(b)). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

*The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 974, No.89) provides for semi-annual allocations to all counties that own public bridges (75 Pa. C.S. § 9502(a)(2)(iv)). These allocations are made on the first business day of June and December each year. The Commonwealth allocates the funds available through Act 89 to counties based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background (Continued)

*Criteria*

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- Construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law.
- Property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges.
- Construction, reconstruction, operation and maintenance of publicly owned ferryboat operations.
- Interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges.
- Acquisition, maintenance, repair and operation of traffic signs and signals.
- Erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background (Continued)

- Indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county.
  - Individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 31 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation may withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.
- B. *The Vehicle Code*, as amended by Act 44 of 2007 (July 18, 2007, P.L. 169) and Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund. The County's Act 44 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.



LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background (Continued)

(1) Funds received by the counties must be deposited in a special fund designated as the County Act 44 Fund and no other money may be deposited and commingled. (Note: Act 44 and Act 89 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the Act 44 Tax Fund money to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- Construction, reconstruction, maintenance, and repair of public bridges for which the county is legally responsible.
- Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.
- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
- Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
- Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 44 Fund.
- Inspection costs associated with bridges.
- Purchase of right-of-way for bridge construction, reconstruction, or maintenance.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background (Continued)

- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
  - (4) In order to receive Act 44 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.
- C. *The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 89 funds distributed to the counties from the Department of Transportation. The County's Act 89 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.
- (1) Funds received by the counties must be deposited in a special fund designated as the County Act 89 Fund and no other money may be deposited and commingled. (Note: Act 89 and Act 44 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). Money should be invested to earn interest until expended.
    - For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the Act 89 Tax Fund money to be received during the current calendar year.
  - (2) Payments from the special fund may be used for:
    - Construction, reconstruction, maintenance, and repair of public bridges for which the county is legally responsible.
    - Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background (Continued)

- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
  - Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
  - Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 89 Fund.
  - Inspection costs associated with bridges.
  - Purchase of right-of-way for bridge construction, reconstruction, or maintenance.
- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
- (4) In order to receive Act 89 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.

*Basis Of Presentation*

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Forms do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund, the County Act 44 Tax Fund, and the County Act 89 Tax Fund, respectively.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Background (Continued)

The Pennsylvania Department of Transportation prescribes that the county report the following on the Form MS-991, *Report of County Liquid Fuels Tax Fund*:

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Liquid Fuels Tax Fund allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.
- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end)
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Reports Of Act 44 Tax Fund and Act 89 Tax Fund:

- A. The balance in the County Act 44 and Act 89 Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Act 44 and Act 89 allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Total Act 44 and Act 89 funds available for expenditure.
- D. Expenditures for county-owned bridges.
- E. The balance in the fund at the close of the report calendar year.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

*Basis Of Accounting*

The accompanying Forms are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

LEBANON COUNTY  
LIQUID FUELS TAX FUND  
2021 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Actual balance in county Liquid Fuels Tax Fund on January 1, 2021	\$ 551,125.64	\$ -	\$ 551,125.64
<u>Receipts:</u>			
Liquid Fuels Tax Funds received from Commonwealth	207,898.87	-	207,898.87
Interest	233.46	-	233.46
Reimbursable agreements	161,477.76	-	161,477.76
Miscellaneous	4.00	-	4.00
Total receipts	<u>369,614.09</u>	<u>-</u>	<u>369,614.09</u>
Total Liquid Fuels Tax Funds available for expenditures and encumbrances	<u>920,739.73</u>	<u>-</u>	<u>920,739.73</u>
<u>Expenditures:</u>			
Administrative	-	-	-
Minor equipment purchases	3,250.00	-	3,250.00
County aid payments	241,372.00	-	241,372.00
Major equipment expenditures	-	-	-
Street cleaning and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	5,434.26	-	5,434.26
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repairs - roads and bridges	494,604.38	-	494,604.38
Highway construction and rebuilding projects	-	-	-
Miscellaneous	2.00	-	2.00
Total expenditures	<u>744,662.64</u>	<u>-</u>	<u>744,662.64</u>

LEBANON COUNTY  
LIQUID FUELS TAX FUND  
2021 FORM MS-991 WITH ADJUSTMENTS

Remaining funds available as of December 31, 2021	<u>176,077.09</u>	<u>-</u>	<u>176,077.09</u>
<u>Approved future year receipts and expenditures</u>			
Accounts receivable	-	-	-
Accounts payable	-	-	-
Unpaid encumbrances	452.97	(452.97)	-
Unpaid county aid grants	<u>-</u>	<u>-</u>	<u>-</u>
Total approved future year receipts and expenditures	<u>452.97</u>	<u>(452.97)</u>	<u>-</u>
Year end balance available for future years as of December 31, 2021	<u><u>\$ 175,624.12</u></u>	<u><u>\$ 452.97</u></u>	<u><u>\$ 176,077.09</u></u>

LEBANON COUNTY  
2021 REPORT OF ACT 44 TAX FUND  
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2021	\$ 142,657.48	\$ -	\$ 142,657.48
<u>Receipts:</u>			
Act 44 Funds	26,013.27	-	26,013.27
Interest	80.35	-	80.35
Reimbursable agreements	-	-	-
Miscellaneous	-	4.00	4.00
	<u>26,093.62</u>	<u>4.00</u>	<u>26,097.62</u>
Total receipts	<u>26,093.62</u>	<u>4.00</u>	<u>26,097.62</u>
Total funds available	<u>168,751.10</u>	<u>4.00</u>	<u>168,755.10</u>
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	-	-	-
Highway Construction and			
Rebuilding Projects	-	-	-
Miscellaneous	-	4.00	4.00
	<u>-</u>	<u>4.00</u>	<u>4.00</u>
Total expenditures	<u>-</u>	<u>4.00</u>	<u>4.00</u>
Balance, December 31, 2021	<u>\$ 168,751.10</u>	<u>\$ -</u>	<u>\$ 168,751.10</u>



LEBANON COUNTY  
2021 REPORT OF ACT 89 TAX FUND  
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2021	\$ 198,536.06	\$ -	\$ 198,536.06
<u>Receipts:</u>			
Act 89 Funds	50,485.86	-	50,485.86
Interest	112.98	-	112.98
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>50,598.84</u>	<u>-</u>	<u>50,598.84</u>
Total funds available	<u>249,134.90</u>	<u>-</u>	<u>249,134.90</u>
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	-	-	-
Highway Construction and			
Rebuilding Projects	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2021	<u><u>\$ 249,134.90</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 249,134.90</u></u>

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

The following information relates to certain types of transactions for which the Pennsylvania Department of Transportation requested that we provide additional detail:

Adjustments

2021 Form MS-991

An adjustment of \$(452.97) was made to “Unpaid encumbrances” because the balances of the following encumbrance were reported incorrectly:

<u>Encumbrance No.</u>	<u>Actual Amount</u>	<u>Reported Amount</u>	<u>Adjustment</u>
19-38000-002	<u>\$0.00</u>	<u>\$452.97</u>	<u>\$(452.97)</u>

2021 Report of Act 44 Tax Fund

An adjustment of \$4.00 was made to “Miscellaneous” because refunds of bank service charges were not reported.

An adjustment of \$4.00 was made to “Miscellaneous” because bank service charges were not reported.

Reimbursable Agreements

During our examination, we noted that the county entered into reimbursable agreements with The Department of Transportation for bridge rehabilitation and inspections. During our current examination period, the county received \$161,477.76 as a result of these agreements and deposited this money into its Liquid Fuels Tax Fund. As of December 31, 2021, \$4,809.19 was due the Liquid Fuels Tax Fund.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Miscellaneous Receipts

On both November 16, 2021, and December 28, 2021, the county deposited \$2.00, into its Liquid Fuels Tax Fund that was received from its financial institution for a refund of bank service charges.

On both November 16, 2021, and December 28, 2021, the county deposited \$2.00 into its Act 44 Fund that was received from its financial institution for a refund of bank service charges.

Miscellaneous Expenditures

On October 29, 2021, the county expended \$2.00 from the Liquid Fuels Tax Fund for a bank service charge.

On both October 25, 2021, and November 24, 2021, the county expended \$2.00 from the Act 44 Fund for bank service charges.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89  
TAX FUNDS  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

**Finding No. 1 - Failure To Obtain Project Approval**

Our examination disclosed that the county expended \$269,772.32, which consists of \$199,184.02 from its Liquid Fuels Tax Fund for repairs to Reilly Road bridge and \$70,588.30 for repairs to Red Rock Road bridge, without obtaining the approval of the Department of Transportation. Before repairs on a bridge are done, the county must obtain the approval of the Department of Transportation. We further noted that the county did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter One, Section 1.6.6.1, states:

County Liquid Fuels Tax Fund monies may not be allocated or expended for construction or reconstruction projects by the county or any of its political subdivisions, without the prior approval of the application, contract or plans for the proposed expenditure by the Department of Transportation.

Furthermore, *Publication 9*, Chapter One, Section 1.6.6.2, states:

Completed work by the county or one of its political subdivisions must be approved by the Municipal Services district office before payment can be made.

Additionally, *Publication 9*, Chapter Two, Section 1.7, states, in part:

The following criteria is used to determine when a project is required for work on local roads utilizing Liquid Fuels Tax Funds, when construction, reconstruction and/or resurfacing work exceeds one inch or more in depth as well as other activities as follows:

Bridges:	For bridge maintenance/preservation activities, confer with Municipal Services to determine if project approval is required. All rehabilitations, replacements, or any other work that affects the carrying capacity of the structure or waterway areas require project approval.
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This condition occurred because the county considered the work to be maintenance, which does not require approval from the Department of Transportation.

The failure to comply with the Department of Transportation's *Publication 9* could result in the county having to reimburse \$269,772.32 to its Liquid Fuels Tax Fund.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89  
TAX FUNDS  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

**Finding No. 1 - Failure To Obtain Project Approval (Continued)**

Recommendations

We recommend that the county reimburse \$269,772.32 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that before the county expends money on a project, it applies for and obtains prior approval of the project, and when the project is completed, it obtains approval for the completed work.

Management's Response

The deputy controller stated:

Prior municipal services representative is unavailable to confirm discussion with engineer about these expenses being classified as maintenance and not need a project established. Future correspondence of this nature will require written verification.

Auditor's Conclusion

The Department of Transportation will determine if the county is required to reimburse \$269,772.32 to its Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89  
TAX FUNDS  
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FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

**Finding No. 2 - Failure To Timely Submit Final Completion Report**

Our examination disclosed that the county expended \$16,641.53 for project No. 15-38000-001. Final payment was made on this project during 2018; however, a Final Completion Report Form MS-999 was not filed with the Department of Transportation as of the exit conference date of this examination of February 6, 2023.

Department of Transportation *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter One, Section 1.7, Figure 1, states that Final Completion Report Form MS-999 is to be submitted to the appropriate Department of Transportation Municipal Services District Office upon completion of a project.

We were unable to determine the cause of this condition.

Because the county failed to file a Final Completion Report, we were unable to determine if the project was completed to the satisfaction of the Department of Transportation. Additionally, we were unable to determine if the county expended the approved amount of Liquid Fuels Tax Fund money on the project.

**Recommendations**

We recommend that the county reimburse \$16,641.53 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

Additionally, we recommend that the county submit a completed Form MS-999 to the Department of Transportation for the project.

We further recommend that, in the future, the county complies with the Department of Transportation's *Publication 9* by submitting a Final Completion Report Form MS-999 for completed projects in a timely manner.

**Management's Response**

The deputy controller stated:

A change of representative may have caused some delays.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89  
TAX FUNDS  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

**Finding No. 2 - Failure To Timely Submit Final Completion Report (Continued)**

Auditor's Conclusion

During our next examination we will determine if the municipality complied with our recommendations.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89  
TAX FUNDS  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

Summary Of Prior Examination Recommendations

In our prior report, we recommended that pursuant to the review of the Department of Transportation, that the county distribute \$303,577.49 to the political subdivisions within the county because the county's encumbered balance as of December 31, 2020, was greater than the receipts for the previous twelve months.

During our current examination, we reviewed a letter dated January 21, 2022, from the Department of Transportation directing the county to distribute \$303,577.49 to the political subdivisions within the county. The county had not distributed the \$303,577.49 to the political subdivisions within the county as of the exit conference date of our examination of February 6, 2023.

Additionally, in our prior report, we recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$1,506.92 to its Liquid Fuels Tax Fund for liquid fuels money over expended on project No. 18-38000-002.

We noted that the county reimbursed \$1,506.92 to its Liquid Fuels Tax Fund on February 3, 2022, which was subsequent to our examination period.

In our prior report, we also recommended that the county expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

During our current examination, we noted that the county complied with our recommendations except not distributing funds to the political subdivisions.



LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89  
TAX FUNDS  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

An exit conference was held February 6, 2023. Those participating were:

LEBANON COUNTY

Ms. Angel Price, Deputy Controller

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Michael Klassen, Audit Supervisor

The results of the examination were presented and discussed in their entirety.

LEBANON COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89  
TAX FUNDS  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2021 TO DECEMBER 31, 2021

This report was initially distributed to:

**The Honorable Michael Carroll**  
Secretary  
Department of Transportation

**Lebanon County**  
400 South Eighth Street  
Room 205, Municipal Building  
Lebanon, PA 17042

**The Honorable Robert J. Phillips**  
Chairman of the Board of Commissioners

**The Honorable Robert M. Mettley**  
Controller

**Ms. Angel Price**  
Deputy Controller

**Mr. Jamie A. Wolgemuth**  
Court Administrator

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).